

# PULLING BACK THE CURTAIN ON THE BUSH MEDICARE PRESCRIPTION DRUG BENEFIT

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*In the few months since Bush signed the new Medicare prescription drug benefit, it is been mired in controversy. The Bush administration gave a \$9.5 million contract to Bush's own campaign media firm, National Media, Inc., a firm that has made its name producing GOP attack ads. This legislation, which is still two years away from actually providing seniors with prescription drug benefits, has been saddled with flawed cost estimates, bribes on the House floor, broken Congressional standards and a steady flow of government officials leaving to join lobbying firms and lobbyists becoming public officials.*

## **Bush Administration Funnels Taxpayer Dollars to Bush/Cheney Campaign Consultants**

- National Media Inc. received an HHS contract to buy \$9.5 million in advertising to promote the new Bush Medicare legislation.
- National Media is headed by Alex Castellanos, major GOP advertising consultant and "father of the attack ad."
- National Media and Castellanos are the media consultants for the Bush/Cheney 2004 Campaign and previously for Bush/Cheney 2000.
- National Media and Castellanos have run ads for major pharmaceutical industry front groups.

## **WITH TAXPAYER DOLLARS, BUSH ADMINISTRATION HIRES LONGTIME GOP/INDUSTRY OPERATIVE TO RUN MEDICARE ADS**

**Bush Administration Gives Bush Campaign Media Consultant Contract to Promote New Medicare Benefit.** The Health and Human Services Department has hired Alex Castellanos and his firm, National Media Inc., to purchase \$9.5 million in air time for ads touting the new Medicare prescription drug benefit. The Department of Health and Human Services is purchasing \$9.5 million in nationwide television commercials to rebut many of the chief criticisms of the Bush Medicare plan including that it will force seniors out of traditional Medicare and that the seniors will not see substantial out-of-pocket savings. The airtime is being purchased by National Media Inc. for an undisclosed percentage of the total cost. [[Associated Press](#), 2/5/04; Health and Human Services Press Release, 2/3/04, [www.hhs.gov/news/press/2004pres/20040203a.html](http://www.hhs.gov/news/press/2004pres/20040203a.html)]

- **National Media Bush/Cheney Campaign Media Consultants in 2000 and 2004.** National Media Inc. was a leading ad buyer for the Bush/Cheney Campaign and the Republican National Committee in 2000 and has already been hired by the Bush/Cheney 2004 Campaign.; [Gannett News Service](#), 12/9/99; [AP Online](#), 5/18/00; [www.campaignscoop.com](http://www.campaignscoop.com); [www.natmedia.com](http://www.natmedia.com); [Chicago Tribune](#), 11/3/03;]

**2003: Alex Castellanos and National Media Inc. Produced Medicare Ads Attacking Democrats for GOP-Front Group, Alliance to Improve Medicare (AIM).** In September 2003, the Alliance to Improve Medicare (AIM) launched \$5 million in television and print ads targeting 20 Democrats in Congress to pass a prescription drug benefit and Medicare reform package. The AIM ads were produced by Alex Castellanos, who is frequently described as "the father of the attack ad." Tracey Moorhead, AIM Director, said the ads were slated to run in Arkansas, Georgia, Indiana, Louisiana, Nebraska and New Mexico. [National Journal's](#) Ad Spotlight reported, "These states were chosen

because they are home to moderate Senate Democrats.” Members of the Alliance to Improve Medicare (AIM) include partisan GOP allied business and trade associations. Among its members are private health insurers such as American Association of Health Plans, drug companies such as PhRMA and business groups including the US Chamber of Commerce, National Federation of Independent Business, National Association of Manufacturers. [National Journal, 9/6/03; National Journal, 6/22/02; National Journal Ad Spotlight, 9/29/03, <http://nationaljournal.com>; AIM Members, <http://www.reformmedicare.org>]

**1999-2001: Castellanos and National Media Inc. Have Long History of Producing Medicare Attack Ads, Including the Citizens for Better Medicare “Flo” Ads of 1999 and the Bush/Cheney “Rats” Ad of 2000.** Castellanos and his firm, National Media, created ads for Citizens for Better Medicare’s attacking the Clinton Administration’s Medicare prescription drug benefit in 1999. The advertising, which cost a reported \$30 million, was mostly financed by Pharmaceutical Research and Manufacturers of America (PhRMA), a trade association of over 100 drug companies. At the same time, Castellanos was creating producing pro-Bush ads for the Republican National Committee and purchasing airtime for the Bush/Cheney 2000 Campaign. The CBM ads were placed in the same markets as the RNC issue ads. Alex Castellanos and National Media also produced the negative attack ad about Democrat Al Gore in 2000 that subtly flashed the word "RATS" across the screen. Castellanos’s Cold Harbor Films also produced Medicare ads for United Seniors Association (USA), a PhRMA financed group, in August 2001 targeting 19 Congressional members and encouraging them to support President Bush’s plan. Bush personally thanked USA during the signing ceremony for the Medicare legislation in December 2003. [Advertising Age, 10/25/99; Gannett News Service, 12/9/99; New York Times, 7/29/99; Time, 11/22/99; Advertising Age, 6/12/00; Washington Post, 7/7/00; US Newswire, 7/6/00; Associated Press, 2/4/04; Public Citizen’s Congress Watch, 7/16/02; Bush Remarks at Signing of Medicare Legislation, 12/8/03]

## **QUESTIONABLE TACTICS TO PUSH THROUGH MEDICARE BILL AGAIN COMING TO LIGHT**

**Bush Administration Intentionally Hid Cost of Plan To Win Votes in Congress.** In late January 2004, the Administration announced they had underestimated the total cost of the package by \$135 billion. Bush relied on a \$400 billion figure for the first decade of the prescription drug benefit in persuading fiscal conservatives to support the plan last November. But less than two months after signing the legislation, and two years before the benefit becomes available to seniors, the Department of Health and Human Services revised the number up to \$535 billion. According to the Washington Post, “Among a small group of lawmakers who negotiated the bill’s final version, ‘it was an open secret’ that administration officials believed ‘there is no way this is \$400 billion.’” “Bush had pushed hard for the Medicare drug benefit, but said he would not sign anything that exceeded \$400 billion,” according to the Boston Globe [New York Times, 1/30/04; Washington Times, 12/8/03; Washington Post, 1/31/04; Boston Globe, 1/30/04; New York Times, 2/2/04]

**GOP Officials Refuse to Investigate Attempts to Bribe Congressman to Support the President’s Bill.** In public commentaries given shortly after the final House vote, Rep. Nick Smith stated that members of the GOP House leadership had offered to funnel \$100,000 in donations to his son’s Congressional campaign in 2004. In early December 2003, the DNC requested the Justice Department investigate the matter, but according to Smith spokesperson Kurt Schmautz as of February 3, 2004 the Department of Justice had not contacted the Congressman. At the same time, House Ethics Committee Chair Joel Hefley issued a written statement in January that the committee was not able to investigate

the matter unless a complaint had been filed by a member. Democratic Whip Steny Hoyer wrote Speaker Dennis Hastert in early January asking Hastert to request an investigation, but Hastert has demurred. House Majority Leader Tom Delay has dismissed the need for an investigation, claiming the Democrats are just trying to “throw mud.” [[Slate](#), 1/23/04; [Hotline](#), 12/5/03; [Washington Post](#), 2/3/04; [Detroit Free Press](#), 2/4/04; [Washington Post](#), 2/4/04]

**Republicans Trampled Congressional Rules to Pass Bush Plan.** Excluding Democrats from conference committee negotiations and extending a House vote to nearly three hours, the GOP showed they only care about winning regardless the cost. The Medicare Conference Committee Chair Rep. Bill Thomas refused entrance to all House Democrats appointed to the conference committee and only allowed two of the four Democratic senators to attend, describing the group as a “coalition of the willing.” Then when it appeared the Bush plan would lose in the final House vote, GOP leaders extended the roll call vote from 15 minutes to nearly 3 hours to strong arm wavering members. Norman Ornstein described it as “the ugliest and most outrageous breach of standards in the modern history of the House.” [[Washington Post](#), 11/30/03; [Washington Post](#), 11/26/03]

## **LOBBYIST REVOLVING DOOR REVEALS TRUE WINNERS OF BUSH MEDICARE POLICY: SPECIAL INTERESTS**

**Within Days of Bill’s Passage, Bush Appointee Thomas Scully Leaves Administration For Lobbying Firm.** Former Director of the Center for Medicare and Medicaid Services Thomas Scully is now employed by Alston & Bird, a firm that lobbies on behalf of PhRMA member Johnson & Johnson. Scully had obtained a waiver from the HHS general counsel in May 2003 to discuss job opportunities with private employers while negotiating the new prescription drug benefit. Scully was appointed by Bush in 2001 after serving as president of the Federation of American Hospitals, a DC-based hospital lobbying firm, and he continued to lobby for the group until he was confirmed by the Senate. As Director of CMMS, the agency responsible for administering the new drug benefit, Scully was an integral part of the policy’s development. Within days of the Medicare legislation passing, Scully announced his intentions to leave the government. In January 2004, the White House banned agencies from issuing such waivers in the future, with many attributing the move to Scully case. [[Marketletter](#), 3/12/01; [Modern Healthcare](#), 4/9/01; [Washington Post](#), 12/3/03; [Washington Post](#), 1/14/04; [www.tray.gov](http://www.tray.gov); [www.fec.gov](http://www.fec.gov)]

**Rep. Billy Tauzin, Central Figure in Congressional Medicare Negotiations, Leaving To Serve as President of PhRMA.** In January 2004, Rep. Billy Tauzin (R-LA) announced he will leave Congress and take a job with PhRMA, where he will receive an estimated \$2 million a year in salary and other compensation. He will continue to serve as a House member until December 2004. Public Citizen has demanded an ethics investigation into the matter. In his role as Chair of the House Energy and Commerce Committee, Tauzin played a central role in the negotiations over the Medicare prescription drug bill. PhRMA also played a central role in lobbying for the President’s Medicare policy, budgeting over \$72 million in 2003 for “advocacy” at the federal level. PhRMA will spend up to an additional \$20 million this year for advertising promoting the new prescription drug benefit. [[The Advocate \(LA\)](#), 2/3/04; [Public Citizen](#), 1/28/04; [L.A. Times](#), 12/7/03; [National Journal](#), 1/24/04]

**More Examples of Bush Administration's Revolving Door for Special Interests.** After the passage of the Medicare legislation, several government officials have left to work in private industry, while Health and Human Services has hired an HMO lobbyist as Director of Medicare Outreach.

- **Revolving Out:** James White, Rep. Tauzin's legislative director has left to join Abbott Laboratories, a PhRMA member. [[Wall Street Journal](#), 1/29/04; [www.tray.com](http://www.tray.com)]
- **Revolving Out:** Sarah Walter, a former aid to Sen. Breaux, has left to work as a lobbyist at Venn Strategies LLC, whose client Eli Lilly & Co. is also a major PhRMA member.
- **Revolving Out:** Catherine Finley, top health aide to Sen. Snowe, is leaving to become a health care lobbyist at Patton Boggs LLP, whose PhRMA clients include Abbott Laboratories, Amgen Inc., Bristol-Meyers Squibb, Sanofi-Synthelabo Inc. and Pfizer. [[Wall Street Journal](#), 1/29/04; [www.tray.com](http://www.tray.com)]
- **Revolving In:** The administration has hired Julie Goon, former VP of legislative affairs for the HMO trade association in Washington, as the new Director of Medicare Outreach. Goon will lead efforts to inform beneficiaries, health care professionals, consumer groups and others about the new Medicare law. [[American Health Line](#), 1/26/04; Campaign For America's Future, [www.ourfuture.org](http://www.ourfuture.org)]

**Bush Medicare Policy Grab Bag for Corporate Special Interests.** The Administration plan is larded with perks for private companies that increase the cost of Medicare and hurt seniors. The legislation made it illegal for Medicare to bargain over price with drug companies, which will add an additional \$139 billion in corporate profits to the cost of the bill, according to Ben Peck of the Medicare Rights Center. Incentives to encourage HMOs and PPOs to offer private plans to seniors will cost \$46 billion, \$30 billion more than had been originally estimated. Bush and GOP leaders overrode a majority in the House to block the re-importation of cheaper drugs from Canada, which would have cut 40 to 60 percent off the cost. And despite nearly \$80 billion in tax breaks and subsidies for private employers, the Congressional Budget Office estimates that 2.7 million seniors will lose their employer-based coverage as a result of the bill. [[In These Times](#), 1/5/04; [New York Times](#), 2/3/04; [The Hill](#), 11/19/03; [The Times Union](#), 12/12/03; [USA Today](#), 11/25/03]